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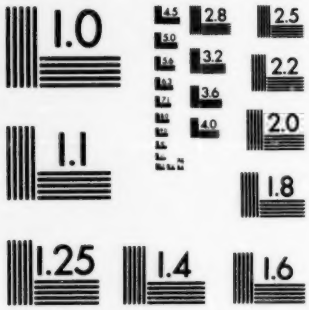


MICROCOPY RESOLUTION TEST CHART
NATIONAL BUREAU OF STANDARDS
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NATIONAL MICROGRAPHICS ASSOCIATION

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LAND LABOR MANAGEMENT CAPITAL

FARM MANAGEMENT DIVISION

NOVA SCOTIA DEPARTMENT
OF
AGRICULTURE AND MARKETING

# INVESTMENT LIMITS

# 1982

# SHEEP

# INVESTMENT LIMITS

## - SHEEP -

To estimate Investment or Borrowed Capital Limits for the sheep enterprise, a number of basic assumptions were made. These assumptions were necessary because of the lack of actual on-farm data and are based on observations and experience of department staff in working with sheep producers. The assumptions and methodology used in this paper are set out below.

## ASSUMPTIONS

1. Gross Receipts - Gross Receipts are composed of lamb and wool sales calculated on a per ewe basis. Lamb sales were estimated on the basis of eighty (80) percent of the lambs being sold as market lambs weighing an average of 41 kilograms each. The remaining twenty (20) percent of the lambs were sold as feeder lambs each weighing an average of 32 kilograms. Wool sales averaged 2.73 kilograms per ewe at a price of $2.09 per kilogram. In the above calculations, a price spread between the two classes of lambs sold was $.229 per kilogram - the higher price in favor of the feeder lambs.

2. Expenses - Expenses were estimated for the sheep enterprise on information supplied by the Livestock Services Branch. Expenses include all cash operating costs and these are listed in the table below. These costs were calculated on the basis of a 130 percent lamb crop. For each five (5) percent change in lambing percentages, expenses will change by $.28.

| | |
|---|---|
| Hay - 303 Kg @ $.034 per Kg (variable cost) | $ 10.30 |
| Grain - 45 Kg @ $.173 per Kg | 7.79 |
| Salt & Minerals | 0.79 |
| Vet & Drugs | 2.50 |
| Ewe Mortality | 6.25 |
| Pasture - Hay Equivalent 1.36 Kg/Day @ $.034/Kg x 180 Days | 8.32 |
| Shearing | 1.50 |

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| | |
|---|---|
| Fencing | $ 2.64 |
| Marketing | 4.41 |
| Interest - Operating Capital @ 18% | 3.61 |
| TOTAL OPERATING COSTS | $ 48.11 |

3. Labor - Operator Labor was estimated to be $21.80 per ewe. This amount represents a return to the operator for his labor skills and must be considered to be a minimum living allowance.

4. Formula - The following formula was then used to calculate a Residual to cover fixed or ownership costs.

GROSS RECEIPTS - EXPENSES - LABOR = RESIDUAL FOR FIXED COSTS

5. Fixed Costs - Fixed Costs, by our definition, includes Depreciation, Interest, Repairs, Taxes and Insurance. Annual Fixed Costs were estimated to be 24.6 percent of Total Investment.

In estimating the Annual Charge for fixed costs, the following basic assumptions were used:

Depreciation was calculated in the standard manner on buildings, equipment and livestock at 5, 12, and 20 percent respectively.

Interest was calculated in the usual manner on land and buildings at 10 percent and on equipment and livestock at 16 percent.

Repairs were calculated in the usual manner on buildings and equipment at 2.5 and 3 percent respectively.

Taxes were estimated to be 2 percent of the average value of buildings.

Insurance was estimated on buildings and livestock at three (3) percent of the average value.

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Given the above basic data, Investment Limits were estimated for various lamb price - lambing percentage combinations. These Investment Limits are presented in the Table on the following page.

LIMITATION

It should be noted that the figures shown in the Table are estimations only. Care should be exercised in their use and interpretation.

INVESTMENT LIMITS

- SHEEP -

| PRICE/MARKET | LAMBING PERCENTAGE | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LAMB | 120 | 125 | 130 | 135 | 140 | 145 | 150 | 155 | 160 | 165 | 170 | 175 | 180 | 185 | 190 |
| 1.45 | 26 | 36 | 47 | 58 | 68 | 79 | 90 | 101 | 111 | 122 | 133 | 143 | 154 | 165 | 176 |
| 1.50 | 32 | 46 | 58 | 69 | 80 | 91 | 102 | 113 | 124 | 135 | 146 | 157 | 169 | 180 | 187 |
| 1.55 | 45 | 56 | 68 | 79 | 91 | 102 | 114 | 125 | 137 | 148 | 160 | 171 | 183 | 195 | 206 |
| 1.60 | 54 | 66 | 78 | 90 | 102 | 114 | 126 | 138 | 150 | 162 | 173 | 185 | 197 | 209 | 221 |
| 1.65 | 64 | 76 | 89 | 101 | 113 | 125 | 138 | 150 | 162 | 175 | 187 | 199 | 212 | 223 | 236 |
| 1.70 | 73 | 86 | 99 | 112 | 124 | 137 | 150 | 162 | 175 | 188 | 201 | 214 | 226 | 239 | 251 |
| 1.75 | 83 | 96 | 109 | 122 | 135 | 149 | 162 | 175 | 188 | 201 | 214 | 227 | 240 | 253 | 267 |
| 1.80 | 93 | 106 | 120 | 133 | 147 | 160 | 175 | 187 | 201 | 214 | 228 | 241 | 255 | 267 | 282 |
| 1.85 | 102 | 116 | 130 | 143 | 158 | 172 | 186 | 199 | 213 | 227 | 241 | 255 | 269 | 283 | 297 |
| 1.90 | 112 | 126 | 140 | 155 | 169 | 183 | 198 | 212 | 226 | 240 | 255 | 269 | 283 | 298 | 312 |
| 1.95 | 121 | 136 | 151 | 165 | 180 | 195 | 211 | 224 | 239 | 254 | 268 | 283 | 298 | 312 | 327 |
| 2.00 | 131 | 145 | 161 | 176 | 191 | 206 | 221 | 237 | 252 | 267 | 282 | 297 | 312 | 327 | 342 |
| 2.05 | 140 | 156 | 171 | 187 | 202 | 218 | 233 | 249 | 264 | 280 | 295 | 311 | 326 | 342 | 357 |
| 2.10 | 150 | 166 | 180 | 198 | 214 | 229 | 245 | 261 | 277 | 293 | 309 | 325 | 341 | 357 | 372 |
| 2.15 | 160 | 176 | 192 | 208 | 225 | 241 | 257 | 274 | 290 | 306 | 322 | 339 | 355 | 371 | 388 |
| 2.20 | 169 | 185 | 203 | 219 | 236 | 253 | 269 | 286 | 303 | 319 | 336 | 353 | 369 | 386 | 403 |
| 2.25 | 179 | 196 | 213 | 230 | 247 | 264 | 281 | 298 | 315 | 332 | 350 | 367 | 384 | 401 | 418 |
| 2.30 | 188 | 206 | 223 | 241 | 258 | 276 | 293 | 311 | 328 | 346 | 363 | 381 | 398 | 416 | 433 |
| 2.35 | 198 | 216 | 233 | 251 | 269 | 287 | 305 | 323 | 341 | 359 | 377 | 395 | 412 | 430 | 448 |
| 2.40 | 207 | 226 | 244 | 262 | 281 | 299 | 317 | 335 | 353 | 372 | 390 | 408 | 427 | 445 | 463 |
| 2.45 | 217 | 236 | 254 | 273 | 292 | 310 | 329 | 348 | 366 | 385 | 404 | 422 | 441 | 460 | 478 |
| 2.50 | 227 | 246 | 265 | 284 | 303 | 322 | 341 | 360 | 379 | 398 | 417 | 436 | 455 | 475 | 494 |